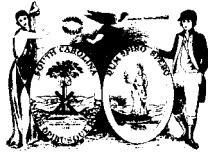


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

April 29, 2002

Mr. Thomas S. Tiller, CFO
Laurel Baye Healthcare, LLC
Post Office Box 2700
Pawleys Island, South Carolina 29585

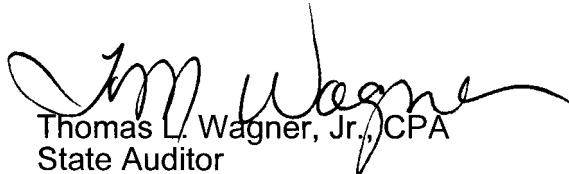
Re: AC# 3-MDB-J9 – Meadow Brook Health Care Center

Dear Mr. Tiller:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**MEADOW BROOK HEALTH CARE CENTER
BLACKVILLE, SOUTH CAROLINA**

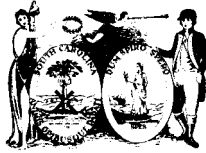
**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-MDB-J9**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2000	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2001	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1999	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 17, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Meadow Brook Health Care Center, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of Meadow Brook HealthCare Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

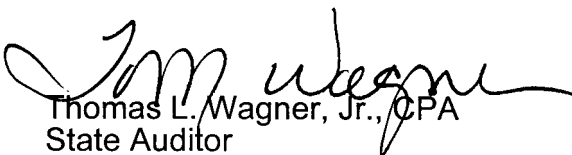
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Meadow Brook Health Care Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Meadow Brook Health Care Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
October 17, 2001

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

MEADOW BROOK HEALTH CARE CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-MDB-J9

	10/01/00- <u>09/30/01</u>
Interim reimbursement rate (1)	\$103.95
Adjusted reimbursement rate	<u>93.25</u>
Decrease in reimbursement rate	\$ <u>10.70</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

MEADOW BROOK HEALTH CARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2000 Through September 30, 2001
AC# 3-MDB-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$39.90	\$53.99	
Dietary		10.41	10.56	
Laundry/Housekeeping/Maint.		<u>9.93</u>	<u>9.12</u>	
Subtotal	<u>\$5.16</u>	60.24	73.67	\$60.24
Administration & Med. Rec.	<u>\$2.24</u>	<u>8.96</u>	<u>11.20</u>	<u>8.96</u>
Subtotal		69.20	<u>\$84.87</u>	69.20
<u>Costs Not Subject to Standards:</u>				
Utilities		1.80		1.80
Special Services		.08		.08
Medical Supplies & Oxygen		10.11		10.11
Taxes and Insurance		.91		.91
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$82.10</u>		82.10
Inflation Factor (3.20%)				2.63
Cost of Capital				5.29
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.24
Cost Incentive				5.16
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.65)
Nurse Aide Staffing Add-On 10/01/00				.77
Nurse Aide Staffing Add-on 10/01/99				<u>.71</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$93.25</u>

MEADOW BROOK HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-MDB-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,243,715	\$ -	\$ 4,741 (1) 3,807 (1) 4,589 (6) 4,110 (8) 962 (8) 16,472 (9) 1,489 (9)	\$1,207,545
Dietary	315,352	-	2 (9) 227 (10)	315,123
Laundry	65,755	-	-	65,755
Housekeeping	96,851	-	-	96,851
Maintenance	140,119	-	343 (1) 500 (8) 985 (9) 465 (10)	137,826
Administration & Medical Records	359,533	5,665 (1) 5,200 (4)	8,312 (3) 1,307 (6) 6,881 (7) 400 (8) 1,959 (9) 133 (9) 80,344 (10)	271,062
Utilities	55,605	-	573 (6) 420 (10)	54,612
Special Services	5,359	588 (1) 2,019 (6)	2,607 (11) 2,838 (12)	2,521
Medical Supplies & Oxygen	467,944	-	2,535 (1) 151,141 (5) 8,423 (6)	305,845
Taxes and Insurance	28,083	-	515 (10)	27,568

MEADOW BROOK HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-MDB-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Legal Fees	-	-	-	-
Cost of Capital	159,263	1,092 (10) 285 (13)	491 (2)	160,149
Subtotal	2,937,579	14,849	307,571	2,644,857
Ancillary	30,231	-	-	30,231
Non-Allowable	116,817	5,173 (1) 491 (2) 8,312 (3) 151,141 (5) 12,873 (6) 6,881 (7) 21,040 (9) 80,879 (10) 2,607 (11) 2,838 (12)	5,200 (4) 285 (13)	403,567
Total Operating Expenses	\$ <u>3,084,627</u>	\$ <u>307,084</u>	\$ <u>313,056</u>	\$ <u>3,078,655</u>
Total Patient Days	<u>29,784</u>	<u>481</u> (14)	<u>-</u>	<u>30,265</u>
Total Beds	<u>85</u>			

MEADOW BROOK HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MDB-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Administration	\$ 5,665	
	Therapy	588	
	Nonallowable	5,173	
	Nursing		\$ 4,741
	Restorative		3,807
	Maintenance		343
	Medical Supplies & Oxygen		2,535
	To agree the working trial balance to general ledger HIM-15-1, Section 2304		
2	Nonallowable	491	
	Fixed Assets	6,404	
	Accumulated Depreciation	213	
	Cost of Capital		491
	Other Equity		6,617
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	8,312	
	Administration		8,312
	To adjust working capital interest HIM-15-1, Section 2304		
4	Prepaid Loan Costs	4,767	
	Administration	5,200	
	Other Equity		4,767
	Nonallowable		5,200
	To record loan cost amortization HIM-15-1, Sections 202.5 and 202.4		
5	Nonallowable	151,141	
	Medical Supplies and Oxygen		151,141
	To adjust specialty beds State Plan, Attachment 4.19D		

MEADOW BROOK HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MDB-J9

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	12,873	
	Therapy	2,019	
	Nursing		4,589
	Administration		1,307
	Utilities		573
	Medical Supplies & Oxygen		8,423
	To disallow expense not adequately documented and to properly classify expense		
	HIM-15-1, Section 2304		
	DH&HS Expense Checklist		
7	Nonallowable	6,881	
	Administration		6,881
	To carryforward salary allocation for		
	10/01/98-01/31/99		
	HIM-15-1, Section 2304		
8	Accrued Vacation	5,972	
	Nursing		4,110
	Restorative		962
	Maintenance		500
	Administration		400
	To remove accrued vacation due to the		
	provider's vacation policy		
	HIM-15-1, Sections 2304 and 2144.8		
9	Nonallowable	21,040	
	Nursing		16,472
	Restorative		1,489
	Dietary		2
	Maintenance		985
	Administration		1,959
	Medical Records		133
	To adjust fringe benefits and related		
	allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

MEADOW BROOK HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MDB-J9

<u>ADJUSTMENT</u>			
<u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Cost of Capital	1,092	
	Nonallowable	80,879	
	Dietary		227
	Maintenance		465
	Administration		80,344
	Utilities		420
	Taxes, Insurance & Licenses		515
	To adjust home office costs HIM-15-1, Sections 2304 and 2150.3		
11	Nonallowable	2,607	
	Special Services		2,607
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
12	Nonallowable	2,838	
	Special Services		2,838
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
13	Cost of Capital	285	
	Nonallowable		285
	To adjust capital return State Plan, Attachment 4.19D		
	<u>Memo Adjustment</u>		
14	To increase total patient days by 481 days to 30,265 days		
	HIM-15-1, Section 2304		
		_____	_____
	TOTAL ADJUSTMENTS	\$324,440	\$324,440

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

MEADOW BROOK HEALTH CARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-MDB-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>85</u>
Deemed Asset Value	3,074,025
Improvements Since 1981	153,471
Accumulated Depreciation at 09/30/99	<u>(749,315)</u>
Deemed Depreciated Value	2,478,181
Market Rate of Return	<u>.060</u>
Total Annual Return	148,691
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	148,691
Depreciation Expense	11,550
Amortization Expense	-
Capital Related Income Offsets	(92)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	160,149
Total Patient Days (SAO Adjusted)	<u>30,265</u>
Cost of Capital Per Diem	\$ <u><u>5.29</u></u>

MEADOW BROOK HEALTH CARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-MDB-J9

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$3.21
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>7.20</u>
Reimbursable Cost of Capital Per Diem	\$5.29
Cost of Capital Per Diem	<u>5.29</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

2 copies of this document were published at an estimated printing cost of \$1.41 each, and a total printing cost of \$2.82. The FY 2001-02 Appropriation Act requires that this information on printing costs be added to the document.